

September 30, 2008

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MEMORANDUM FOR DISTRIBUTION

FROM: Deborah Wolf /s/
Director, Privacy, Information Protection & Data Security

SUBJECT: Implementation of Three New Identity Theft Tracking Indicators

The Internal Revenue Service IRS has been proactive in addressing the issue of identity theft by implementing a Servicewide identity theft indicator, Transaction Code 971 with Action Code 501, to track identity theft incidents that are reported by taxpayers and present an impact to tax administration. This memorandum provides interim guidance on three new action codes that address the issue of identity theft and information protection in the IRS.

Effective October 1, 2008, we are expanding our existing incident tracking program by implementing the following three new tracking indicators for identity theft-related incidents:

- TC 971 AC 504 – Taxpayer Identified, Not Impacting Tax Administration
- TC 971 AC 505 – IRS Data Loss Incidents
- TC 971 AC 506 – IRS Identified, Impacting Tax Administration

TC 971 AC 504: Taxpayer Identified, Not Impacting Tax Administration

The TC 971 AC 504 indicator will track identity theft incidents that are identified by the taxpayer, but are not known to have an impact on tax administration. Input of this indicator is limited and reserved for use by the Wage and Investment (W&I) Accounts Management (AM) Specialized Identity Theft Unit, which is comprised of two key functions:

- *Identity Theft Hotline, 1-800-908-4490* – a new toll-free hotline established specifically to receive identity theft-related calls. By contacting this hotline, taxpayers will be able to access automated messages as well as customer service representatives (CSRs). This toll-free Identity Theft Hotline will enable individuals who have experienced identity theft, but do not have a current tax-related issue, to report the incident to the IRS. For example, the taxpayer may report that he/she is at risk due to a lost or stolen purse or

- wallet, or have noticed questionable credit card activity.
- *Specialized Identity Theft Caseworkers* – employees who will process standard identity theft documentation and input the TC 971 AC 504 tracking indicator. Caseworkers will secure identity theft substantiation documentation as set forth in the PIPDS memorandum dated September 17, 2008, entitled “Clarification of Standard Identity Theft Substantiation Documentation”. These requirements are as follows:
 1. *Authentication of Identity* – a copy of a valid U.S. federal or state government issued form of identification (example, driver’s license, state identification card, social security card, passport, etc.).
 2. *Evidence of Identity Theft* – a copy of a police report or completed Affidavit of Identity Theft as provided by the Federal Trade Commission.

The caseworkers will also work with other functions that provide taxpayer assistance for existing identity theft-related account issues.

The TC 971 AC 504 will be placed on the individual’s account and be visible for future reference in the event the incident becomes a tax issue. If IRS employees are contacted by a taxpayer indicating a non-tax related identity theft, refer the taxpayer to the Identity Theft Hotline at 1-800-908-4490 for assistance. See the Attachment for additional information regarding the TC 971 AC 504.

TC 971 AC 505: IRS Data Loss Incidents

The Office of Privacy, Information Protection & Data Security (PIPDS) conducts risk assessments on IRS data losses and sends notifications to impacted individuals. The TC 971 AC 505 allows the IRS to track incidents of data loss. Instances where the IRS has experienced data loss could have a tax-related impact to the affected taxpayers in the future.

Input of the TC 971 AC 505 is limited and reserved for use by PIPDS employees; however, this indicator will be visible and available for future reference on the individual’s account. See the Attachment for further information regarding the TC 971 AC 505.

TC 971 AC 506: IRS Identified, Impacting Tax Administration

The TC 971 AC 506 will be used to track identity theft incidents that impact tax administration and are identified by the IRS. Such incidents may result from phishing or refund schemes verified by the Criminal Investigation (CI) Division.

Input of the TC 971 AC 506 is currently limited and reserved for use by CI; however, the indicator will be visible and available for future reference on the individual’s account. See the Attachment for further information regarding the TC 971 AC 506.

We are confident that the implementation of these incident tracking indicators will

help reduce the impact of identity theft on tax administration and taxpayer burden. PIPDS will be gathering and analyzing information based on the input of these new action codes to further refine the process and provide progress to stakeholders.

Effect on Other Documents: This interim guidance will be incorporated into IRM 10.5.3 when it is published. The estimated publishing date is January 1, 2009.

Contact: If you have questions about this guidance, please contact Joseph Oleska, Deputy Director of the Office of Identity Theft & Incident Management, at (202) 622-4405, or Erick Patterson at (202) 283-5131.

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Attachment

cc: Office of Servicewide Policy, Directives & Electronic Research
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Attachment

TC 971 AC 504 Taxpayer Identified, Impacting Tax Administration

Important: This transaction and action code is limited and reserved for use by the W&I Accounts Management Specialized Identity Theft Unit.

Displayed on IDRS Masterfile command code ENMOD and consists of the following data elements:

TRANS-DT	SECONDARY-DT	MISC	REMARKS
TC 971 AC 504 input date	Date the taxpayer stated the identity theft incident occurred	BOD, Function, and identity theft's impact on the taxpayer. (See the TC 971 AC 504 Miscellaneous Field chart below)	Comments

TC 971 AC 504 Miscellaneous Field Identity Theft Impact	
Description	Value
Victim's SSN Used for Employment	EMPL
One or more personal accounts have been opened under the victim's identity or the victim reported questionable account activity	ACCT
Both EMPL and ACCT	BOTH
No known impact has been identified by the taxpayer	NKI

TC 972 AC 504 (Reversal of TC 971 AC 504)

The miscellaneous field displays the reason for the reversal. See TC 972 AC 504 Miscellaneous Field chart below:

TC 972 AC 504 Miscellaneous Field		
Reason	Description	Value
Taxpayer Request	The taxpayer requests the 971 be reversed. The taxpayer may feel that the issue has been resolved or it is no longer needed and is impacting them negatively.	TPRQ
Keying or Internal Mistake	The 971 was due to a typographical mistake or another internal mistake and should be reversed.	IRSERR
Internally Identified Negative Impact	The 971 is causing a negative impact on another internal process or system, and should be reversed to discontinue the negative impact.	IRSADM
False Identity Theft Claim	The original identity theft incident claim was determined to be fraudulent.	FALSE
Other	The reason for the 971 reversal does not meet any of the reason descriptions above.	OTHER

**TC 971 AC 505
IRS Data Loss Incident**

Important: This transaction and action code is limited and reserved for use by the Office of Privacy, Information Protection & Data Security personnel.

Displayed on IDRS Masterfile command code ENMOD and consists of the following data elements:

TRANS-DT	SECONDARY-DT	MISC
TC 971 AC 505 input date	Date the data loss incident occurred	BOD, Function, and Incident Reference Code (number assigned to the data loss case). This number begins with the literal "IR" and is followed by 11 numeric digits. For example: IR20080211034

TC 972 AC 505 (Reversal of TC 971 AC 505)

The miscellaneous field displays the reason for the reversal. See TC 972 AC 505 Miscellaneous Field chart below:

TC 972 AC 505 Miscellaneous Field		
Reason	Description	Value
Keying or Internal Mistake	The 971 was due to a typographical mistake or another internal mistake and should be reversed.	IRSERR
Internally Identified Negative Impact	The 971 is causing a negative impact on another internal process or system, and should be reversed to discontinue the negative impact.	IRSADM
Other	The reason for the 971 reversal does not meet any of the reason descriptions above.	OTHER

TC 971 AC 506
IRS Identified, Impacting Tax Administration

Important: This transaction and action code is limited and reserved for use by Criminal Investigation personnel.

Displayed on IDRS Masterfile command code ENMOD and consists of the following data elements:

TRANS-DT	SECONDARY-DT	MISC	XREF-TIN
TC 971 AC 506 input date	Tax year at issue date	BOD, Function, and Program that input the TC 971 AC 506. (See the TC 971 AC 506 Miscellaneous Field chart below)	Optional field that, when populated, displays a TIN, such as, SSN, ITIN, or IRSN.

TC 971 AC 506 Miscellaneous Field		
Description	BOD / Function	Program Name
CI – Phishing Schemes	CI	PHSH
CI – Refund Fraud	CI	RFND
CI – Other	CI	OTHER

TC 972 AC 506 (Reversal of TC 971 AC 506)

The miscellaneous field displays the reason for the reversal. See TC 972 AC 506 Miscellaneous Field chart below:

TC 972 AC 506 Miscellaneous Field		
BOD / Function	Program Name	Reason Code Value
CI	PHSH	TPRQ
CI	PHSH	IRSERR
CI	PHSH	IRSADM
CI	PHSH	FALSE
CI	PHSH	OTHER
CI	RFND	TPRQ
CI	RFND	IRSERR
CI	RFND	IRSADM
CI	RFND	FALSE
CI	RFND	OTHER
CI	OTHER	TPRQ
CI	OTHER	IRSERR
CI	OTHER	IRSADM
CI	OTHER	FALSE
CI	OTHER	OTHER

TC 972 AC 506		
Miscellaneous Field Reason Codes		
Reason	Description	Value
Taxpayer Request	The taxpayer requests the 971 be reversed. The taxpayer may feel that the issue has been resolved or it is no longer needed and is impacting them negatively.	TPRQ
Keying or Internal Mistake	The 971 was due to a typographical mistake or another internal mistake and should be reversed.	IRSERR
Internally Identified Negative Impact	The 971 is causing a negative impact on another internal process or system, and should be reversed to discontinue the negative impact.	IRSADM
False Identity Theft Claim	The original identity theft incident claim was determined to be fraudulent.	FALSE
Other	The reason for the 971 reversal does not meet any of the reason descriptions above.	OTHER